



H.R. 5819 – SBIR/STTR Reauthorization Act

EXECUTIVE SUMMARY

H.R. 5819 was introduced by Representative Nydia Velazquez (D-NY) and reported from the Committee on Small Business by voice vote on April 18, 2008. It is expected to be considered on the floor under a structured rule on April 23, 2008.

The Small Business Innovation Research (SBIR) programs were established within major federal research and development agencies with the intention of attracting more small businesses to participate in federally funded research and development. Each Federal agency with a research and development budget of more than \$100 million is required to set aside a certain percentage of their budget for SBIR and STTR grants. The bill reauthorizes the SBIR and STTR programs through 2010.

H.R. 5819 was also referred to the House Committee on Science and Technology. The Subcommittee on Technology and Innovation approved its version, the Science and Technology Innovation Act (H.R. 5789) on April 16, 2008. However, prior to a full Committee markup, H.R. 5789 was incorporated into H.R. 5819. Several Committee Republicans raised objections to the bill bypassing the standard Committee process thereby denying full Committee members the opportunity to offer amendments to the bill.

According to the Statement of Administration Policy, the Administration “strongly opposes” H.R. 5819, but does not threaten a veto of the legislation. The Congressional Budget Office has estimated that implementing H.R. 5819 would cost \$263 million over the 2009-2013 period, but would not affect direct spending or revenues.

FLOOR SITUATION

H.R. 5819 is being considered on the floor under a structured rule. The rule:

- Provides one hour of general debate, with 40 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Small Business and 20 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Science and Technology.
- Waives all points of order against consideration of the bill except for clauses 9 and 10 of rule XXI.
- Provides that the amendment in the nature of a substitute recommended by the Committee on Small Business, now printed in the bill, shall be considered as an original bill for the purpose of amendment and shall be considered as read.
- Waives all points of order against the amendment in the nature of a substitute except for clause 10 of rule XXI. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- No amendments shall be in order except those amendments printed in the Rules Committee report accompanying the resolution.
- Provides that the amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the



proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House of in the Committee of the Whole.

- Waives all points of order against the amendments printed in the report except for clauses 9 and 10 of rule XXI.
- Provides one motion to recommit with or without instructions.

Representative Nydia Velazquez (D-NY) introduced H.R. 5819 on April 16, 2008. The bill was reported out of the Committee on Small Business by voice vote on April 18, 2008.

**Note: On April 16, 2008, the House Committee on Science and Technology's Subcommittee on Technology and Innovation approved the Science and Technology Innovation Act (H.R. 5789), which reauthorizes the SBIR and STTR programs, by voice vote. Instead of the bill being considered by the full Committee on Science and Technology, H.R. 5789 was merged with similar legislation reported out of the Committee on Small Business.*

SUMMARY

H.R. 5819 reauthorizes the Small Business Investment Research (SBIR) and the Small Business Technology Transfer (STTR) programs through 2010.

Title I – Modernizing the SBIR and STTR Programs

Set Asides: The bill requires Federal agencies with a research and development budget of more than \$100 million to set aside 3 percent of their extramural research and development budget for the SBIR program. In addition, it requires the set-aside for the STTR program to be increased to 0.6 percent.

**Note: Currently, Federal agencies are required to set aside 2.5 percent for SBIR programs and 0.3 percent for STTR programs.*

Award Levels: The grant award levels are increased by this legislation to \$300,000 for Phase I grant awards and \$2.2 million Phase II grant awards for the SBIR and STTR programs.

**Note: The current grant award levels are \$100,000 for phase I grants and \$750,000 for phase II grants.*

Advisory Boards: H.R. 5819 requires each agency that conducts a SBIR program and administers more than \$50 million in SBIR grants to establish a SBIR advisory board. The advisory boards will be required to make recommendations about potential modifications to the agency's SBIR program to encourage applications from states that historically receive few SBIR awards.

Title II – Venture Capital Investment Standards

Venture Capital Investment: In order to qualify for SBIR and STTR grants, the bill expands program eligibility to small businesses that receive substantial funding from venture capital companies. The bill enables small businesses to be considered independently owned and operated if less than 50 percent of the company is owned by a single venture capital operating company and the employees or owners of the venture capital company do not constitute a majority of the board of directors.

**Note: According to the Statement of Administration Policy, "the Administration believes that H.R. 5819 goes too far in relaxing constraints on venture capital ownership of firms receiving SBIR and STTR funds, which could lead to inappropriate subsidization of well-capitalized businesses that do not warrant funding through a set-aside program."*



Title III – SBIR and Economic Development

Federal and State Technology Partnership (FAST) Program: H.R. 5819 reauthorizes the FAST program at \$10 million for each fiscal year 2009 and 2010. The FAST program awards competitive grants to organizations that conduct outreach efforts to increase participation in SBIR programs or provide application and business skills support to prospective participants in the SBIR program.

Title IV – Advancing Commercialization of SBIR – Funded Research

Phase Three: The bill clarifies the definition of Phase Three to consist of work that derives from, extends, or logically concludes efforts performed under prior SBIR funding agreements.

Agency Research Goals: The bill requires any Federal agency that has an SBIR program and awards more than \$5 billion in procurement contracts to establish goals for commercialization of projects funded by SBIR awards, including percentage of projects that receive funding for the third phase and percentage that are successfully integrated into a program of record.

Sequential Phase Two Awards: This provision of the bill expressly authorizes additional second phase SBIR awards for testing and evaluation for the insertion of SBIR technologies into technical or weapons systems.

Commercialization: H.R. 5819 authorizes \$27.5 million for fiscal year 2009 and each subsequent fiscal year to establish a commercialization program to support the progress of SBIR awardees to the third phase. The program may include activities such as partnership databases, partnership conferences, multiple second phases, and SBIR held desks. The bill defines commercialization as the process of developing marketable products or services and producing and delivering products or services for sale to government or commercial markets.

Title V – Supporting Program Utilization

Databases to Support Technology Utilization: The bill requires each federal agency with a SBIR or STTR program to create a database to help grantees attract customers for the products or services they generate under the project.

Interagency Policy Committee: H.R. 5819 requires the Director of the Office of Science and Technology Policy to establish an Interagency Policy Committee comprised of one member of each relevant Federal agency to review and make policy recommendations on ways to improve program effectiveness.

Preferences: The bill requires priority consideration be given to nanotechnology-related research topics and rural small businesses.

BACKGROUND

In 1982, the Small Business Innovation Research programs were established within major federal research and development agencies with the intention of attracting more small businesses to participate in federally funded research and development. Each federal agency with a research and development budget greater than \$100 million is required to set aside 2.5 percent of that budget for SBIR grants.

The Small Business Technology Transfer programs were established in 1992 and require the small businesses to work with a nonprofit research institute. Like the SBIR program, it is a three phase program designed to move ideas from the laboratory to the marketplace.

On April 16, 2008, the House Committee on Science and Technology's Subcommittee on Technology and Innovation approved the Science and Technology Innovation Act (H.R. 5789), which reauthorizes the



SBIR and STTR programs, by voice vote. Instead of the bill being considered by the full Committee on Science and Technology, H.R. 5789 was merged with similar legislation reported out of the Committee on Small Business. Republican members of the Subcommittee objected to the bill bypassing a full Committee mark-up and denying members the opportunity to offer amendments to SBIR and STTR Reauthorization legislation.

AMENDMENTS

(Below is the summary of the amendment that was made in order by the Rules Committee and may be offered on the floor of the House of Representatives)

- 1) Reps. Leonard Boswell (D-IA)/Betty Sutton (D-OH): The amendment would give priority to applications from companies located in areas that have lost a major source of employment.
- 2) Rep. Vernon Ehlers (R-MI): The amendment would strike section 102, effectively keeping the current 2.5 percent and 0.3 percent set-asides for SBIR and STTR unchanged. Subsequent sections would be redesignated accordingly.
- 3) Rep. Joe Sestak (D-PA): The amendment notifies an applicant to the SBIR and STTR programs, who is not successful in receiving an award, that the applicant can request an explanation of why the applicant did not receive the award.
- 4) Rep. Jim Matheson (D-UT): The amendment gives priority to small businesses and organizations, in the awarding of SBIR, STTR, and FAST grants that are making significant contributions towards energy efficiency, including those that are making efforts to reduce their carbon footprint or are carbon neutral.
- 5) Rep. Gabrielle Giffords (D-AZ): The amendment would require SBIR awardees be domiciled in the United States.
- 6) Rep. Sam Graves (R-MO): The amendment strikes and replaces Title II, regarding venture capital investment standards.
- 7) Rep. Doris Matsui (D-CA): The amendment adds business incubators as eligible for the partnerships with SBIR awardees that are required by section 404. The amendment also defines the term "business incubators" for this purpose.
- 8) Rep. Betty Sutton (D-OH): The amendment provides that veterans will be given priority when applying for SBIR and STTR awards.
- 9) Rep. Betty Sutton (D-OH): The amendment requires agencies that administer SBIR programs to give special consideration to pressing transportation and infrastructure research activities, as identified by reports issued by the Department of Transportation and National Academy of Sciences.
- 10) Rep. John Barrow (D-GA): The amendment establishes a pilot program to make grants to minority institutions that partner with nonprofit organizations that have experience developing relationships between industry, minority institutions, and other entities.
- 11) Rep. Shelley Moore Capito (R-WV): The amendment changes section 104, regarding the SBIR Advisory Board. It would add to small business concerns owned and controlled by service-



disabled veterans to the groups to be targeted by the board to make applications for SBIR grants.

- 12) Rep. Christopher Carney (D-PA): The amendment would allow the Administrator of the SBA to view favorably FAST grant applicants that use accredited SBDC's in determining the award of a FAST grant.
- 13) Rep. Kirsten Gillibrand (D-NY): The amendment requires a veteran small-business owner must be at least one of the people appointed to the advisory board overseeing the Small Business Innovation Research Program Grants.
- 14) Rep. Timothy Walz (D-MN): The amendment would require the Small Business Administration to consult with the Secretary of Veterans Affairs to develop an outreach program to publicize the Small Business Innovation Research program to veterans returning from service and encourage veterans with appropriate technical skills to apply for SBIR grants.
- 15) Reps. Bill Foster (D-IL)/Brad Ellsworth (D-IN)/Jason Altmire (D-PA): **(REVISED)** The amendment requires SBIR awardees to be owned and controlled by at least one individual, or a business concern owned and controlled by individuals, who are a citizens of, or permanent resident aliens in, the United States. Any applicant found knowingly hiring, recruiting, or referring for a fee, an unauthorized alien shall not be eligible for the receipt of future awards.
- 16) Rep. Peter Welch (D-VT): The amendment strikes language that allows firms not receiving SBIR/STTR Phase I grants to be eligible to receive Phase II.
- 17) Rep. Peter Welch (D-VT): The amendment limits to half the amount of an agency's SBIR budget that could go to grant awards that exceed \$200,000 for Phase I, and \$1,500,000 for Phase II.

COST

According to the Congressional Budget Office (CBO), "Based on information from the Small Business Administration (SBA) and other agencies, CBO estimates that implementing H.R. 5819 would cost \$263 million over the 2009-2013 period, subject to appropriation of the specified and necessary amounts. Enacting the bill would not affect direct spending or revenues." ([CBO Cost Estimate](#))

ADDITIONAL VIEWS

According to the Statement of Administration Policy, "the Administration strongly opposes H.R. 5819 because its higher set-asides for the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs, which would be funded through a levy on agencies' external research budgets, would effectively cut \$650 million each year from the core, competitive research activities of the Department of Defense, the National Institutes of Health, NASA, the Department of Energy, the National Science Foundation, and other agencies. The Administration strongly opposes reducing funds available for priority agency research activities at universities and Federal laboratories in order to provide subsidies for business development." ([SAP for H.R. 5819](#))

MOTION TO RECOMMIT

Please find the Republican Motion to Recommit [here](#).



STAFF CONTACT

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